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Latam Weekly: Packed Latam and G10 Week

ECONOMIC OVERVIEW

- The first week of June starts with a bang in Latam and G10, with inflation data from Peru, Mexico, and Chile, a flood of US releases from ISM to NFP, and rate decisions from the ECB and the BoC (where at least the former will kick off its easing cycle). Mexicans also elect a new president on June 2nd.
- Peruvian inflation is seen just a bit closer to the 2% mark, while in Chile it is due to sit practically on target. On the other hand, Mexican inflation is expected to accelerate, pressured by non-core prices that challenge inflation expectations normalizing. Colombia's calendar is bare of major releases, but our team discusses the validity of concerns around fiscal accounts in today's Weekly.

PACIFIC ALLIANCE COUNTRY UPDATES

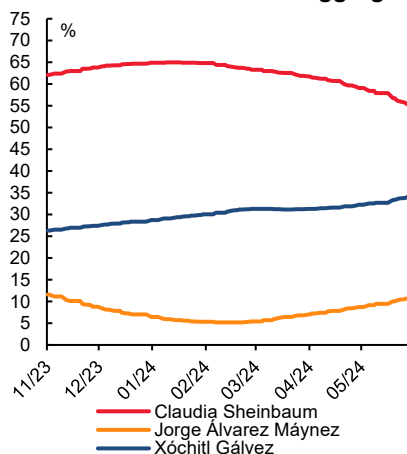
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Chile, and Colombia.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period June 1-14 across the Pacific Alliance countries and Brazil.

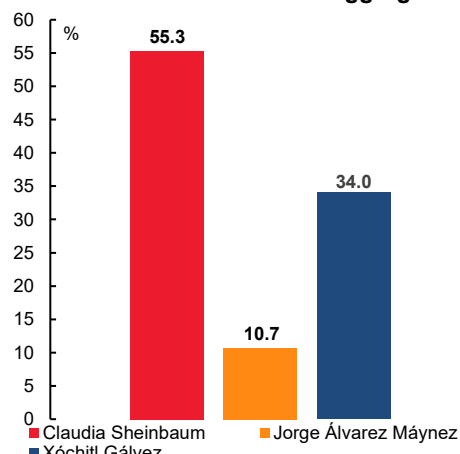
Charts of the Week

Mexico Presidential Polls Aggregate



Sources: Scotiabank Economics, Bloomberg.

Mexico Presidential Polls Aggregate



Sources: Scotiabank Economics, Bloomberg.

Charts of the Week: Prepared by: Cesar Amador, Economic Analyst.

Economic Overview: Packed Latam and G10 Week

- **The first week of June starts with a bang in Latam and G10, with inflation data from Peru, Mexico, and Chile, a flood of US releases from ISM to NFP, and rate decisions from the ECB and the BoC (where at least the former will kick off its easing cycle). Mexicans also elect a new president on June 2nd.**
- **Peruvian inflation is seen just a bit closer to the 2% mark, while in Chile it is due to sit practically on target. On the other hand, Mexican inflation is expected to accelerate, pressured by non-core prices that challenge inflation expectations normalizing. Colombia's calendar is bare of major releases, but our team discusses the validity of concerns around fiscal accounts in today's Weekly.**

We have reached the final month of the first half of the year and it starts with a bang in Latam and the G10, full of key data and central bank decisions to tell us what the second half of 2024 may bring. It's not like markets needed shaking up, however, as May has been a month of sharp swings in rates, currencies, and some commodity prices (namely that of, the ever-relevant for Latam, copper). Traders probably can't wait for the summer lull to begin after a few challenging and unpredictable months, but we all just have to wait a few weeks longer before things calm down.

The Latam week ahead presents CPI data out of Peru, Mexico, and Chile, accompanied by GDP figures out of Chile and Brazil as well as surveys of economists or traders in each of Chile, Mexico, and Brazil. Of course, we have Mexican elections on Sunday, but we refer you to our team's report [here](#) for their take on what to expect. Outside of the region, there's a mighty string of releases out of the US (ISM manufacturing/services, JOLTS, ADP, nonfarm payrolls/wages) that at least coincide with the Fed's communications blackout, rate decision in the Eurozone (-25bps) and Canada (hold), Canadian jobs, among others, as well as the OPEC meeting this weekend.

Colombia's is the quietest data calendar of all in the Pacific Alliance + Brazil next week, but that does not mean there aren't important local risks to monitor. We are getting very close to the June 20th deadline to approve the government's pension reform proposal, and some final hurdles still need to be cleared, and political and fiscal noise has become a mainstay of everyday life for Colombian markets. In today's report, our colleagues in Colombia discuss the validity of concerns about the country's fiscal standing.

Sometimes economists don't get a break on weekends since some Latam statistics agencies decide to publish data on their days of rest. We don't directly point fingers in this report, however. We have a little more sense than that. Peru's National Institute of Statistics and Informatics (INEI, see [here](#)) will publish from its offices in Lima consumer prices data for May on Saturday. It's likely that, again, Peru's central bank (BCRP) will get a near-zero month-on-month inflation reading, as our team details in the Latam Daily (see [here](#)); good enough to continue at its steady 25bps pace of cuts. We should also get a trickle of sectoral output or sales data that will help our economists refine their forecasts for April GDP growth.

Mexican and Chilean CPI data are scheduled for publication at the same time on Friday (8ET), but while one is expected to show no major progress made in inflation (Mexico), the other should show inflation virtually on target and allowing large rate cuts to

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continue (Chile). To be fair, we do see a bit of a downtick in core inflation in Mexico to move away from the mid-4s but Banxico is challenged by an acceleration in headline inflation that continues to buoy inflation expectations—forcing their hand in taking a more cautious stance.

As for Chile, our team in Santiago outline in today's report the drivers for an expected slowdown in headline inflation, with no growth expected in headline prices on a m/m basis and only a marginal m/m increase in CPI ex-volatiles. They expect another 50bps cut by the BCCh at its June 18th decision, a forecast that isn't quite shared by traders as markets imply about 35bps in cuts; we will see how their forecasts are split in Monday's results to the BCCh's traders survey.

Pacific Alliance Country Updates

Chile—We Project May CPI of 0.0% m/m (3.1% y/y)

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- **Annual inflation would fall to its lowest level in more than three years, practically at the BCCh target**

We project a May CPI of 0.0% m/m (3.1% y/y), below market expectations in forwards (0.2%) and surveys (Traders' Survey: 0.2%; Economists' Survey: 0.3%). Likewise, we project that the CPI ex-volatiles would increase 0.1% m/m (3.2% y/y), mainly due to the contribution of services, leaving behind the indexation and second-round effects observed in Q1-24. For their part, ex-volatile goods would show no variation (0.0% m/m), reflecting part of the effects of the most recent fall in the exchange rate. It should be noted that we project falls in volatile items (-0.3% m/m), which would occur mainly due to the fall we project in international tourist packages and air transport.

By divisions, the main positive impact would come from transportation, followed by restaurants and hotels and miscellaneous goods and services. In transportation, the increase in the price of new cars and gasoline stands out. Regarding the latter, we project new price falls for the coming weeks, which will contribute negatively to inflation in June.

We project falls for the services CPI linked to the exchange rate. This would be the case of tourist packages and air transport, which would be experiencing drops on many of the most used routes. We also estimate decreases in the price of subscriptions to audiovisual content (Netflix and Spotify, among others), whose rates are in US dollars for some services and would reflect part of the fall in the exchange rate.

Inflation would reach the central bank's target. If our projection is met, annual inflation would fall to 3.1%, its lowest level in more than three years (since March 2021). With this, the CPI ex-volatiles would reach 3.2%.

Colombia—Is the Noise Around Fiscal Accounts a Material Concern?

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After the pandemic, debt burdens increased significantly for governments and the private sector. According to the IIF, in Q4-23 global government debt accounted for 97% of GDP, while corporate debt rose to 95% of output. Household debt was 61% of the GDP. All of these remain around their highest levels of the millennium and are becoming a significant structural challenge in the context of "higher interest rates for longer."

In Colombia, the increase in the debt burden, coupled with the credit downgrade after the social protest against the fiscal reform in 2021 and the volatility produced by the discussion about public policy changes from the government, increased the risk premiums in Colombia's debt. Even though some of the uncertainty dissipated, Colombia still pays significant premiums. This year, external debt issuance in Colombia has been costly, with coupons above 8%, while financial private debt issuance in foreign currency needed to pay coupons above 11%.

Therefore, while the fears around structural changes in Colombia have vanished, inflation is gradually decelerating, and monetary policy is gaining credibility, fiscal sustainability is the main fear of the agents. Thus, the question arises: at what point are fiscal accounts at risk?

From a medium-term perspective, Colombia's debt burden has improved from its peak post-pandemic. Colombia's General Government gross debt burden increased from 52.3% in 2019 to 67.2% of GDP in 2020 and currently is around 60.3% of GDP, while the Central National Government gross debt to GDP passed from 50.3% of GDP in 2019 to a maximum of 67.5% of GDP in Q1-21 and stood at 56.7% in December 2023. A significant part of debt deterioration has reversed thanks to the economic growth and tax collection during the first part of the recovery. However, the noise has increased in the short term, and the analysis should focus on two sides: revenue and expenditure.

From the revenue point of view, the government has many challenges:

- After the stunning post-pandemic recovery, Colombian GDP grew only 0.6% last year, with a special deterioration in investment and durable goods consumption, making tax revenues particularly low this year. In fact, in Q1-24 tax revenues were 7% lower than expected.

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- Most recent projections from DIAN say that one-time revenues from lawsuits with privates are not even half of what is expected in the budget of around COP 10 tn (0.6% of GDP).
- The recent ruling of the constitutional court about royalties' deductibility for oil and mining companies, let the government with ~COP 3.4 tn (0.23% of GDP) lower revenues for this year and close to COP 17 tn over the next ten years.

All in all, revenues this year are expected to be around one percentage point of GDP lower than expected, which puts a significant risk on the fiscal rule if the government decides to go for 100% of budget execution.

Having said the above, there have been some buffers and lack in expenditure that can help to net the revenues shortage this year and can still comply with the fiscal rule:

- The government continued performing liability management operations with its debt to reduce the financial burden this year. Our calculations show that at least they are reducing by COP 7 tr the outstanding of COLTES 2024 and COLTES 2025, and we think they will continue doing debt swaps given that COLTES 2026 maturity is huge (COP 30 bn ~1.8% of GDP).
- Budget execution, especially in investment, was only 27.31% up to April. It is well known that around 80% of the budget is inflexible, and if the Government decides to cut, it will be on the investment side.

In terms of incentives, institutions in Colombia are very effective in motivating law enforcement. Not complying with fiscal goals without Congress permission is painful for the government, it is, in fact, in our opinion, political suicide since it shows incapacity for ruling the country and can trigger several political punishments facing the 2026 elections and several reforms to pass in Congress. On top of that, markets would react to an eventual non-compliance with the fiscal rule, as in 2022, bringing FX and TES rates to historical highs, which again, is very painful for the government's party, Pacto Histórico, and its intentions of staying in power after Petro's administration.

Therefore, we think the Medium-Term Fiscal Framework (MTFF) publication will be critical. In this publication, we expect to see an announcement of budget reductions and commitment to fiscal targets. If that happens, the capacity to implement a countercyclical expenditure diminishes. The concern is around GDP growth, employment, and structural revenues that will tend to be lower, which can materialize another downgrade from S&P by the end of this year or the first quarter of next year. But in any case, Colombia is already paying decent risk premiums for this risk.

Forecast Updates

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	2.7	4.2	3.5	2.0	2.1	2.2	1.7	2.0	2.4	2.0	2.0	2.0	2.0	3.0	2.9	2.0	2.0
CPI (y/y % eop)	5.8	4.7	3.2	5.2	4.6	3.9	4.1	4.0	3.9	3.7	3.5	3.6	3.7	5.8	4.6	3.9	3.7
Unemployment rate (% avg)	7.9	8.8	8.0	7.7	7.4	7.9	7.7	7.7	7.5	8.0	8.0	7.9	7.9	7.9	7.4	7.5	7.8
Central bank policy rate (% eop)	13.75	13.75	13.75	12.75	11.75	10.75	10.25	10.25	10.00	10.00	9.50	9.25	9.00	13.75	11.75	10.00	9.00
Foreign exchange (USDBRL, eop)	5.28	5.06	4.79	5.03	4.86	5.01	5.11	5.08	5.05	5.02	5.03	5.04	5.05	5.28	4.86	5.05	5.05

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Chile																	
Real GDP (y/y % change)	-2.3	0.3	-0.4	0.6	0.4	2.3	3.6	2.1	4.0	2.0	2.3	3.2	2.6	2.1	0.2	3.0	2.5
CPI (y/y % eop)	12.8	11.1	7.4	4.7	3.4	3.2	3.5	3.2	3.0	2.5	2.5	3.0	3.0	12.8	3.4	3.0	3.0
Unemployment rate (% avg)	7.9	8.8	8.5	8.9	8.5	8.7	8.3	7.8	7.3	7.9	8.2	7.9	7.2	7.9	8.5	8.0	7.8
Central bank policy rate (% eop)	11.25	11.25	11.25	9.50	8.25	7.25	5.50	4.75	4.50	4.25	4.25	4.25	4.25	11.25	8.25	4.50	4.25
Foreign exchange (USDCLP, eop)	851	795	802	892	879	979	940	900	870	870	870	870	870	851	879	870	870

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Colombia																	
Real GDP (y/y % change)	2.2	2.7	0.3	-0.7	0.3	0.7	1.9	1.3	1.8	1.8	2.2	2.4	2.3	7.3	0.6	1.4	2.2
CPI (y/y % eop)	13.1	13.3	12.1	11.0	9.3	7.4	7.3	6.3	5.8	4.3	3.7	3.5	3.4	13.1	9.3	5.8	3.4
Unemployment rate (% avg)	9.8	11.7	10.2	9.4	9.4	11.9	10.8	10.6	10.4	12.3	10.9	11.0	10.7	11.2	10.2	10.9	11.2
Central bank policy rate (% eop)	12.00	13.00	13.25	13.25	13.00	12.25	11.25	9.75	8.25	6.75	5.50	5.50	5.50	12.00	13.00	8.25	5.50
Foreign exchange (USDCOP, eop)	4,853	4,623	4,172	4,068	3,855	3,852	4,078	4,102	4,116	4,120	4,125	4,140	4,150	4,853	3,855	4,116	4,150

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Mexico																	
Real GDP (y/y % change)	4.4	3.6	3.5	3.4	2.3	1.6	3.0	2.6	2.4	1.8	1.5	1.6	1.4	3.7	3.2	2.4	1.6
CPI (y/y % eop)	7.8	6.8	5.1	4.5	4.7	4.4	4.6	4.6	4.5	4.0	3.8	3.8	3.7	7.8	4.7	4.5	3.7
Unemployment rate (% avg)	3.0	2.7	2.8	3.0	2.7	2.5	3.1	3.2	3.2	3.3	3.3	3.4	3.5	3.3	2.8	3.0	3.4
Central bank policy rate (% eop)	10.50	11.25	11.25	11.25	11.25	11.00	10.75	10.25	10.00	9.25	9.00	8.50	8.00	10.50	11.25	10.00	8.00
Foreign exchange (USDMXN, eop)	19.50	18.05	17.12	17.42	16.97	16.56	17.60	17.90	18.20	18.50	18.80	19.25	19.50	19.50	16.97	18.20	19.50

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Peru																	
Real GDP (y/y % change)	1.8	-0.4	-0.5	-0.9	-0.4	1.4	3.2	3.3	2.7	3.2	2.9	1.9	2.1	2.7	-0.5	2.7	2.5
CPI (y/y % eop)	8.5	8.4	6.5	5.0	3.2	3.0	2.3	1.9	2.4	2.2	2.1	2.3	2.4	8.5	3.2	2.4	2.4
Unemployment rate (% avg)	7.1	7.5	6.6	6.7	6.4	7.7	6.3	6.4	6.1	6.5	6.2	6.2	5.9	7.7	6.8	6.4	6.2
Central bank policy rate (% eop)	7.50	7.75	7.75	7.50	6.75	6.25	5.50	5.00	4.50	4.50	4.00	4.00	4.00	7.50	6.75	4.50	4.00
Foreign exchange (USDPEN, eop)	3.81	3.76	3.63	3.78	3.70	3.72	3.70	3.80	3.75	3.75	3.75	3.80	3.75	3.81	3.70	3.75	3.75

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Canada																	
Real GDP (y/y % change)	2.2	2.0	1.3	0.7	1.0	0.5	1.2	1.8	2.0	1.8	1.9	2.1	2.3	3.8	1.2	1.5	2.0
CPI (y/y % eop)	6.7	5.1	3.5	3.7	3.2	2.8	2.9	2.5	2.6	2.2	2.1	2.1	2.0	6.7	3.2	2.6	2.0
Unemployment rate (% avg)	5.1	5.1	5.3	5.5	5.8	5.9	6.2	6.3	6.4	6.5	6.5	6.5	6.4	5.3	5.4	6.2	6.5
Central bank policy rate (% eop)	4.25	4.50	4.75	5.00	5.00	5.00	5.00	4.75	4.25	3.75	3.50	3.25	3.25	4.25	5.00	4.25	3.25
Foreign exchange (USDCAD, eop)	1.36	1.35	1.32	1.36	1.32	1.35	1.36	1.36	1.33	1.32	1.32	1.30	1.30	1.36	1.32	1.33	1.30

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
United States																	
Real GDP (y/y % change)	0.7	1.7	2.4	2.9	3.1	2.9	3.0	2.0	1.6	1.4	1.3	1.6	1.6	1.9	2.5	2.4	1.5
CPI (y/y % eop)	7.1	5.7	4.0	3.6	3.2	3.2	3.3	3.2	3.3	2.7	2.4	2.2	2.1	7.1	3.2	3.3	2.1
Unemployment rate (% avg)	3.6	3.5	3.6	3.7	3.7	3.8	3.8	3.8	3.9	3.9	4.0	4.1	4.2	3.6	3.6	3.8	4.1
Central bank policy rate (% eop)	4.50	5.00	5.25	5.50	5.50	5.50	5.50	5.25	5.00	4.50	4.00	3.50	3.50	4.50	5.50	5.00	3.50
Foreign exchange (EURUSD, eop)	1.07	1.08	1.09	1.06	1.10	1.08	1.07	1.07	1.09	1.11	1.11	1.15	1.15	1.07	1.10	1.09	1.15

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
Red indicates changes in estimates and forecasts since previous *Latam Weekly* on May 03, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	0.1	-	-	0.1	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	0.2	0.2	0.2	0.2	-	-	0.1	-	-	0.2	0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-	-	-	-0.2	-0.2
Central bank policy rate (% eop)	-	-	-	-	-	-	-	0.50	0.50	0.50	0.25	0.25	-	-	-	0.50	-
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	0.11	0.09	0.08	0.06	0.05	0.01	-0.02	-	-	0.08	-0.02
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	0.3	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-	0.3	0.4	0.1	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	0.2	0.2	0.2	-	-0.2	-0.3	-0.4	-	-	0.2	-0.4
Unemployment rate (% avg)	-	-	-	-	-	-	0.6	0.4	0.1	0.3	0.5	0.3	0.5	-	-	0.2	0.4
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.2	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	-	0.1	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	0.2	0.3	0.2	0.1	-0.5	-	-	-	-	-	-	-	-	0.1	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States																	
Real GDP (y/y % change)	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics. Changes in estimates and forecasts since previous *Latam Weekly* on May 03, 2024.

Forecast Updates: Central Bank Policy Rates and Outlook

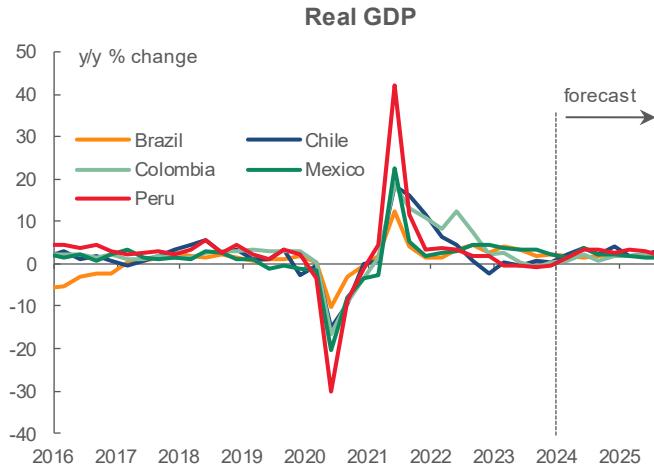
Latam Central Banks: Policy Rates and Outlook

	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting	
	Current	Date	BNS	End-2024		End-2025
Brazil, BCB, Selic	10.50%	Jun-19	10.25%	9.50%	9.00%	
Chile, BCCh, TPM	6.00%	Jun-18	5.50%	4.50%	4.25%	We anticipate a 50 bps cut to 5.50% at the June meeting.
Colombia, BanRep, TII	11.75%	Jun-28	11.25%	8.25%	5.50%	The central bank decided to maintain the pace of cuts, reducing the interest rate by 50 bps, maintaining the cautious approach of previous meetings. Among the reasons for remaining cautious were still-high inflation and concerns about tightening international financial conditions. The central bank revised up economic growth for 2024 to 1.4% y/y without going into detail. Inflation expectations are expected to remain stable, and the central bank is expected to continue the easing cycle at future meetings.
Mexico, Banxico, TO	11.00%	Jun-27	10.75%	10.00%	8.00%	The minutes of the last meeting and several recent communications signal that at least the Governor and 2 Deputy Governors are ready for another cut at the June meeting, in line with the consensus. However, we think any setback in inflation above expectations could increase the possibility of a more hawkish stance, as both headline and core inflation face significant uncertainty with mixed data.
Peru, BCRP, TIR	5.75%	Jun-13	5.50%	4.50%	4.00%	Inflation continues to trend downward, and we estimate that it could fall to 2.2% y/y in May, from 2.4% y/y in April, narrowing in on the BCRP target. This would put pressure on the BCRP for a further 25 bps cut in June.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

Key Economic Charts

Chart 1



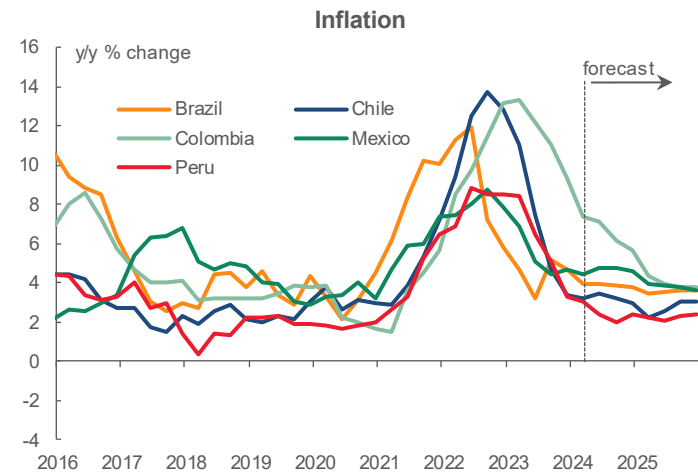
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



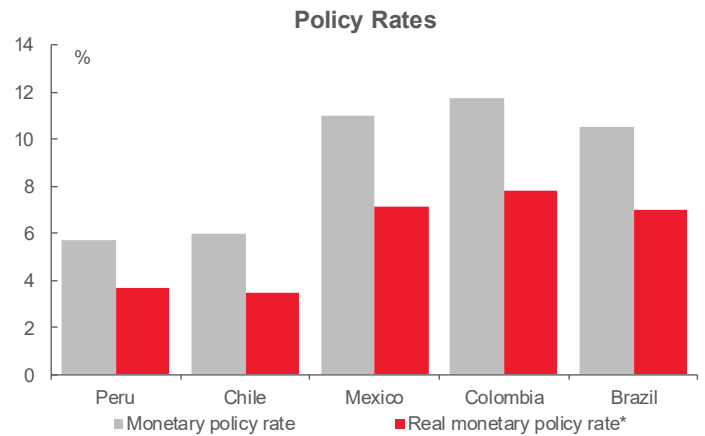
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

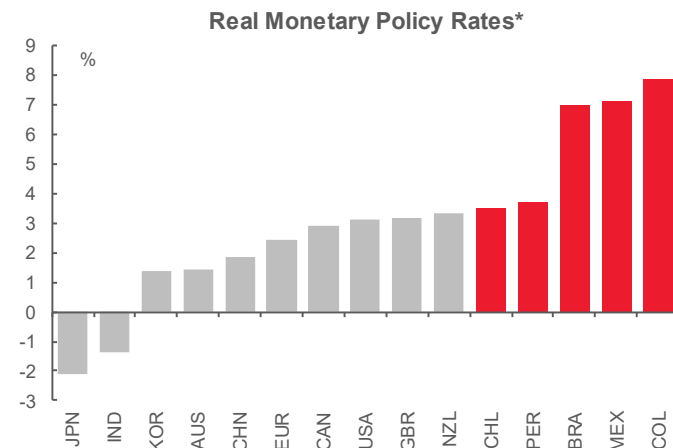
Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2025, % y/y.

Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 5

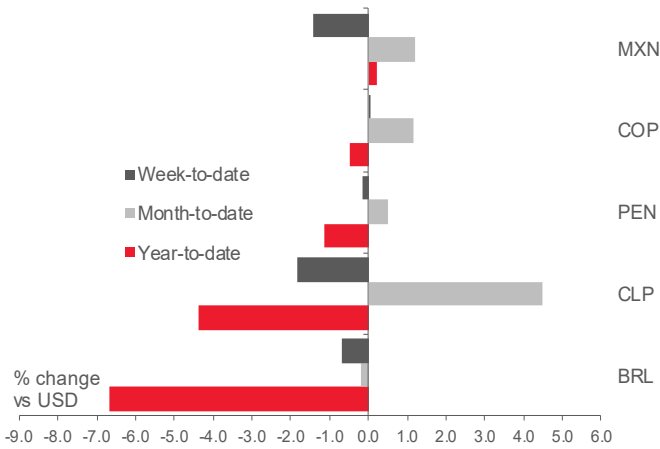


* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2025, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

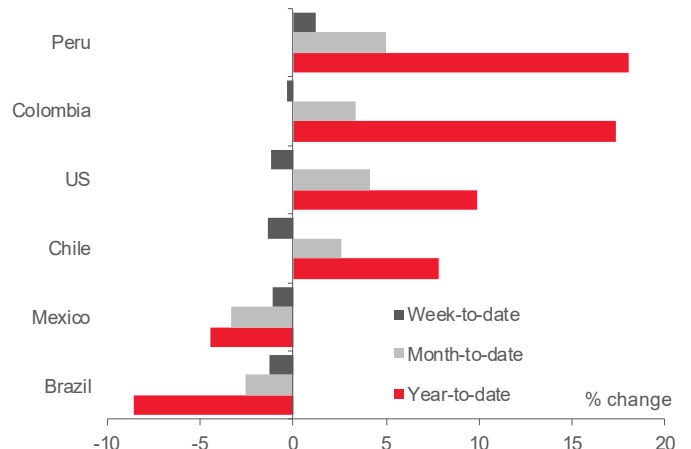
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

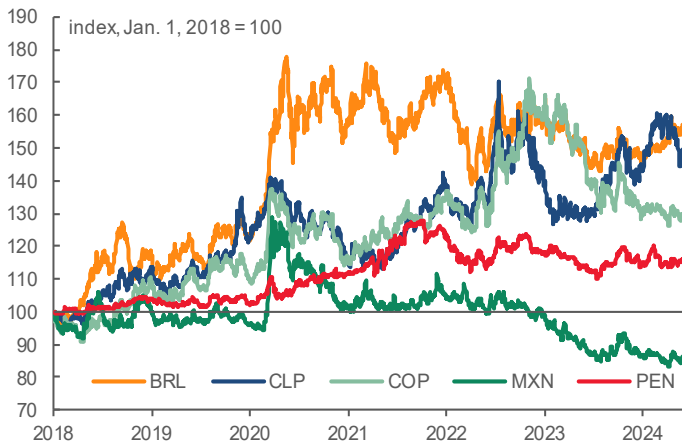
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

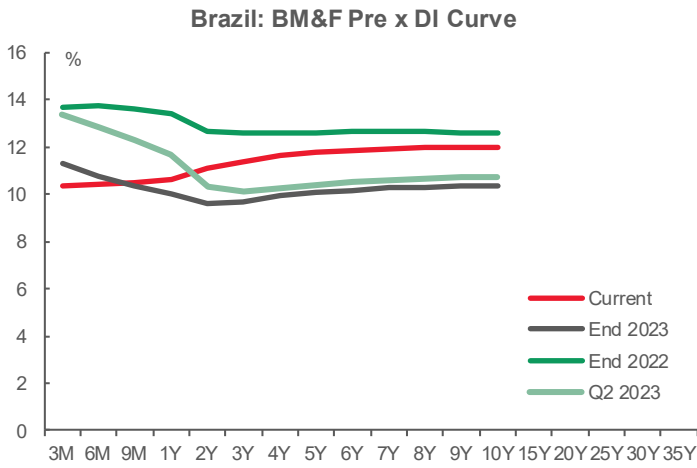
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



*Sovereigns vs US swaps; BBB corporates vs 10-yr USTs.
Sources: Scotiabank Economics, Bloomberg.

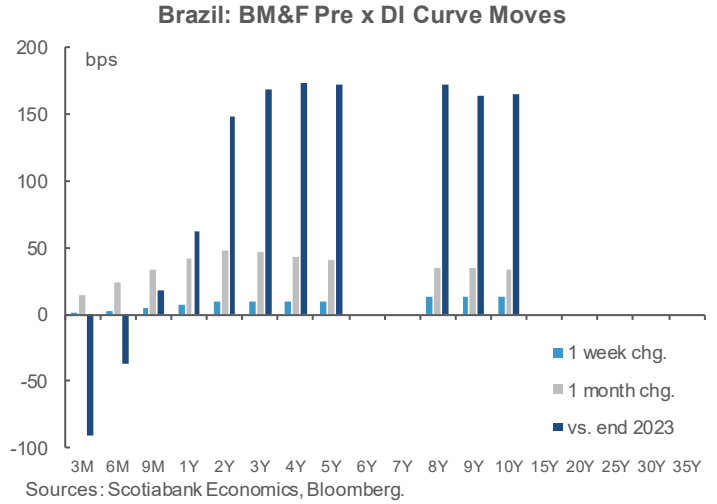
Yield Curves

Chart 1



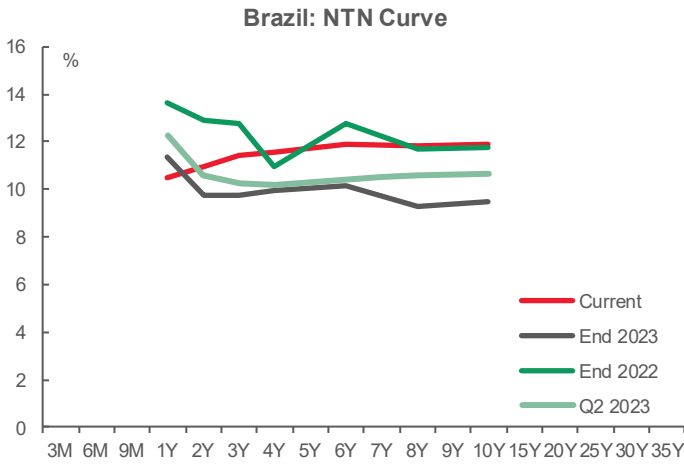
Sources: Scotiabank Economics, Bloomberg.

Chart 2



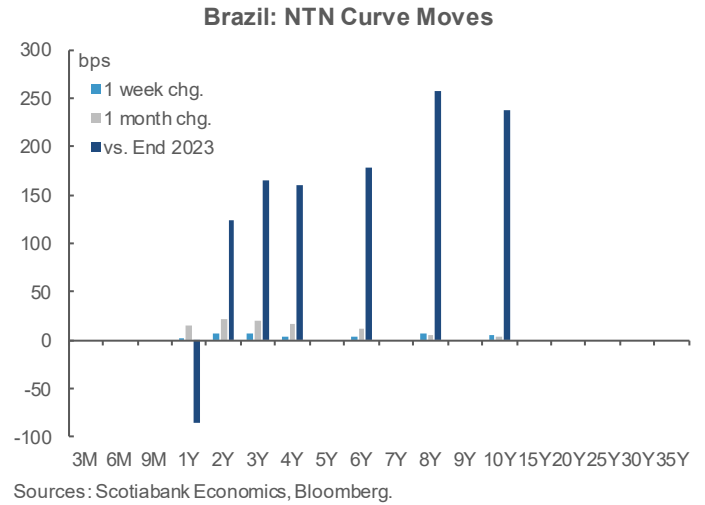
Sources: Scotiabank Economics, Bloomberg.

Chart 3



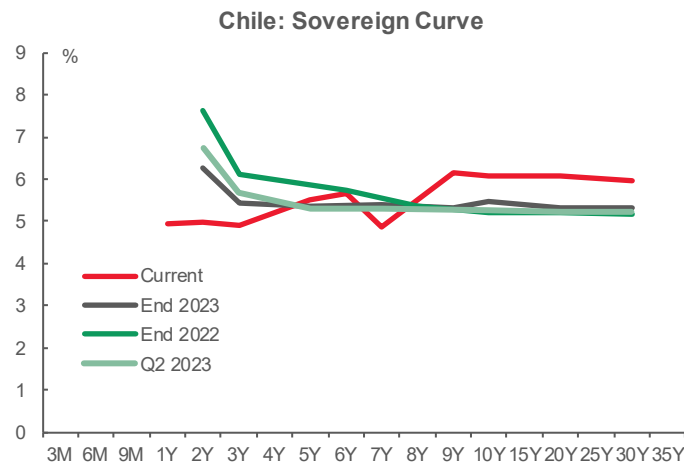
Sources: Scotiabank Economics, Bloomberg.

Chart 4



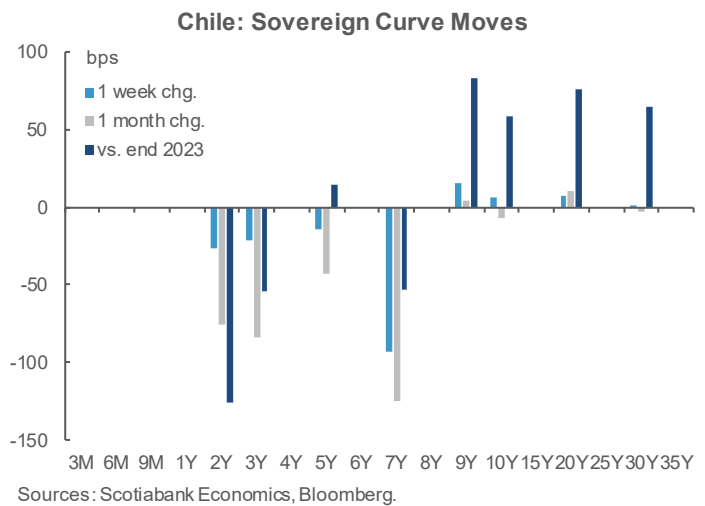
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

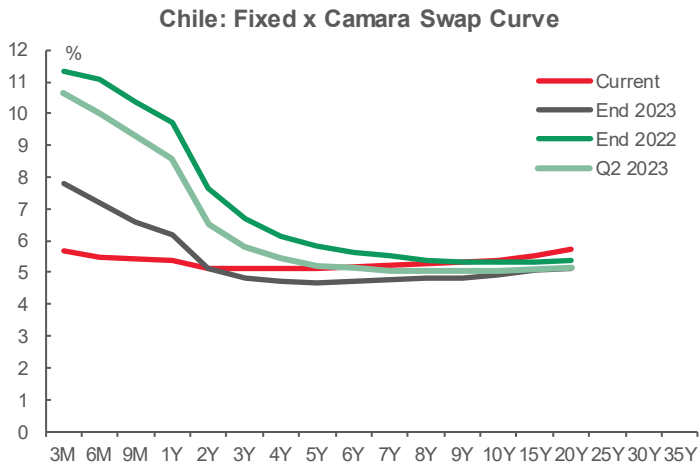
Chart 6



Sources: Scotiabank Economics, Bloomberg.

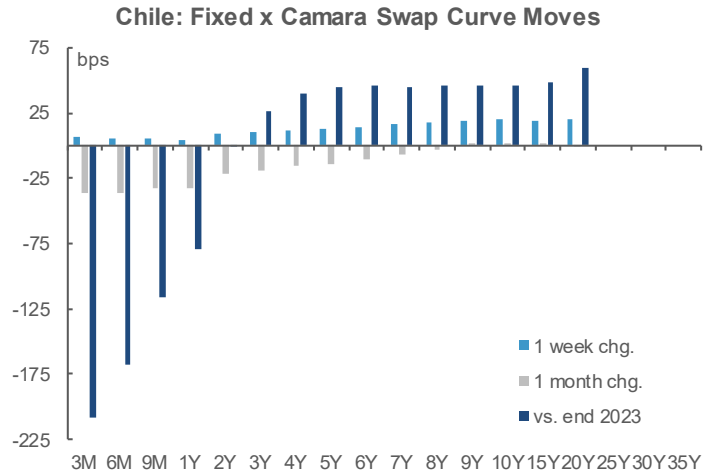
Yield Curves

Chart 7



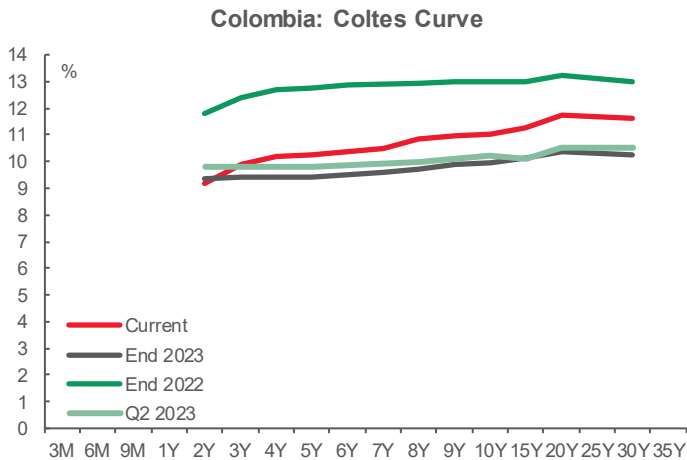
Sources: Scotiabank Economics, Bloomberg.

Chart 8



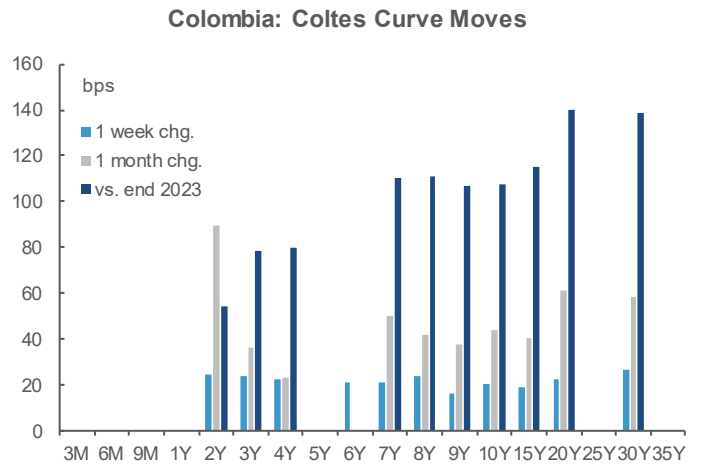
Sources: Scotiabank Economics, Bloomberg.

Chart 9



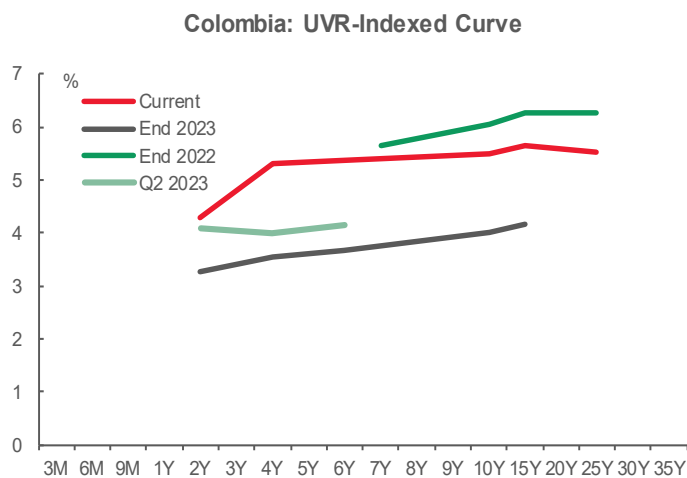
Sources: Scotiabank Economics, Bloomberg.

Chart 10



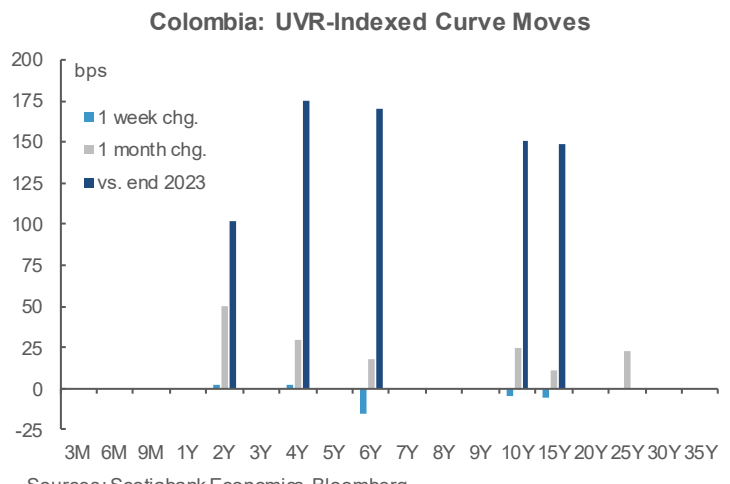
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

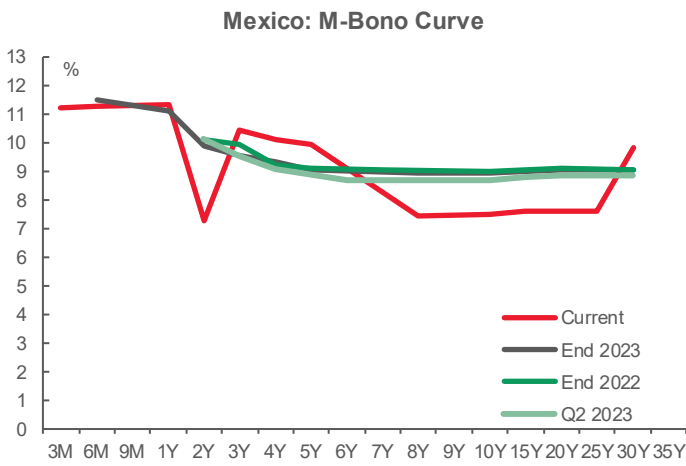
Chart 12



Sources: Scotiabank Economics, Bloomberg.

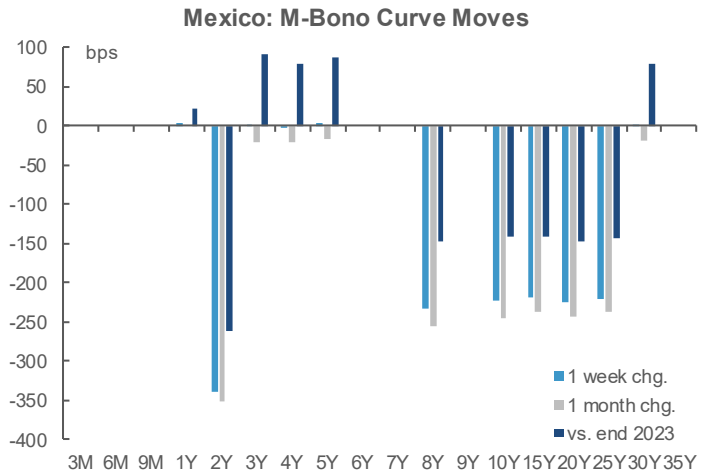
Yield Curves

Chart 13



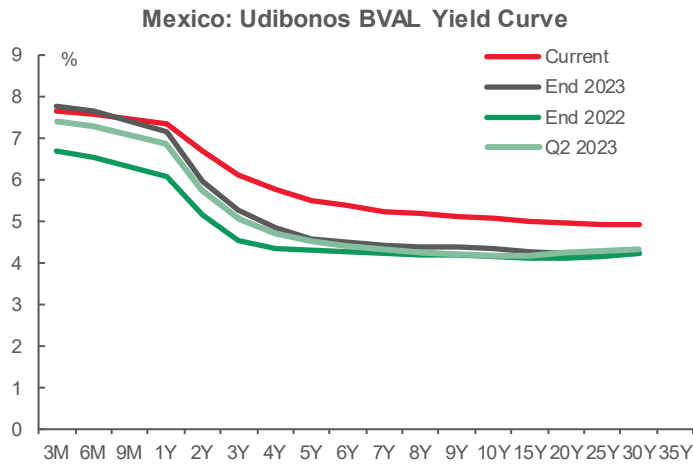
Sources: Scotiabank Economics, Bloomberg.

Chart 14



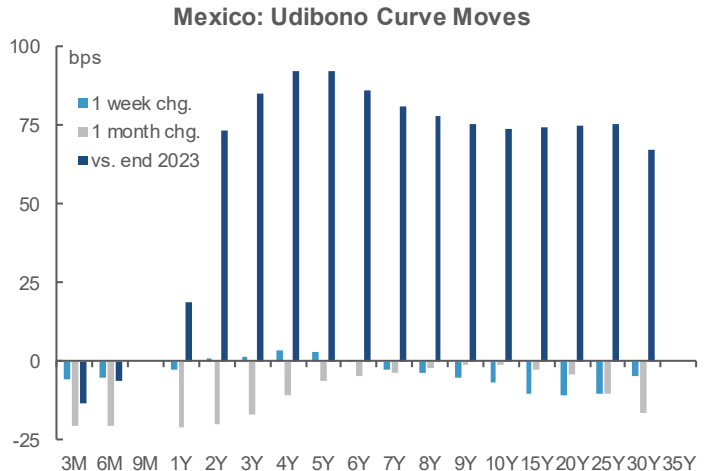
Sources: Scotiabank Economics, Bloomberg.

Chart 15



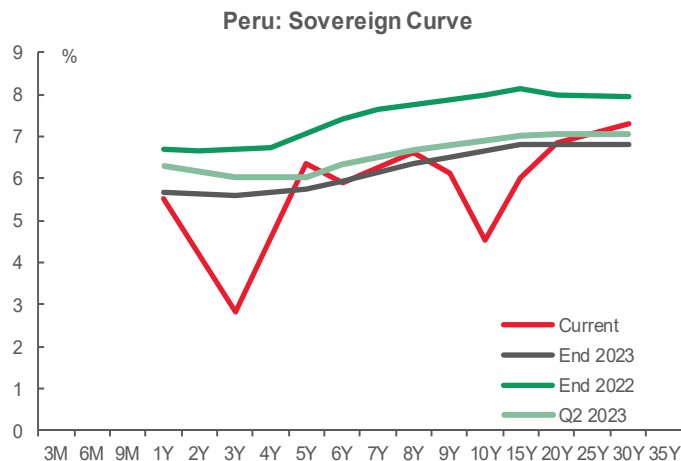
Sources: Scotiabank Economics, Bloomberg.

Chart 16



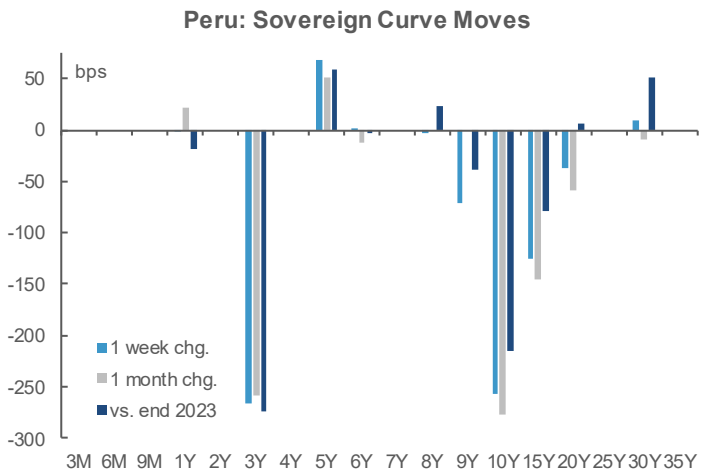
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for June 1–14

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jun-03	7:25 Central Bank Weekly Economist Survey		--		
Jun-03	9:00 S&P Global Brazil Manufacturing PMI	May	--	--	55.9
Jun-04	4:00 FIPE CPI - Monthly (%)	May	--	--	0.33
Jun-04	8:00 GDP q/q	1Q	--	0.7	0.0
Jun-04	8:00 GDP 4Qtrs Accumulated (%)	1Q	--	2.4	2.9
Jun-04	8:00 GDP y/y	1Q	--	2.2	2.1
Jun-05	8:00 Industrial Production m/m	Apr	--	--	0.9
Jun-05	8:00 Industrial Production y/y	Apr	--	--	-2.8
Jun-05	9:00 S&P Global Brazil Composite PMI	May	--	--	54.8
Jun-05	9:00 S&P Global Brazil Services PMI	May	--	--	53.7
Jun-06	14:00 Imports Total USD mn	May	--	--	21879
Jun-06	14:00 Exports Total USD mn	May	--	--	30920
Jun-06	14:00 Trade Balance Monthly USD mn	May	--	--	9041
Jun-07	7:00 FGV Inflation IGP-DI y/y	May	--	--	-2.3
Jun-07	7:00 FGV Inflation IGP-DI m/m	May	--	--	0.7
Jun 03-07	Vehicle Sales Fenabrave	May	--	--	220813
Jun 06-07	Vehicle Exports Anfavea BRL	May	--	--	27334
Jun 06-07	Vehicle Production Anfavea	May	--	--	222115
Jun 06-07	Vehicle Sales Anfavea	May	--	--	220842
Jun-10	7:25 Central Bank Weekly Economist Survey		--		
Jun-10	14:00 Trade Balance Weekly USD mn	09-Jun	--	--	2734
Jun-11	4:00 FIPE CPI - Weekly (%)	07-Jun	--	--	0.0
Jun-11	8:00 IBGE Inflation IPCA y/y	May	--	--	3.7
Jun-11	8:00 IBGE Inflation IPCA m/m	May	--	--	0.4
Jun-12	8:00 IBGE Services Volume m/m SA	Apr	--	--	0.4
Jun-12	8:00 IBGE Services Volume y/y NSA	Apr	--	--	-2.3
Jun-13	8:00 Retail Sales Broad y/y	Apr	--	--	-1.5
Jun-13	8:00 Retail Sales y/y	Apr	--	--	5.7
Jun-13	8:00 Retail Sales Broad m/m	Apr	--	--	-0.3
Jun-13	8:00 Retail Sales m/m	Apr	--	--	0

CHILE

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jun-03	8:30 Central Bank Traders Survey		--		
Jun-03	8:30 Economic Activity m/m	Apr	--	--	-0.7
Jun-03	8:30 Economic Activity y/y	Apr	4.5	--	0.8 We project GDP expansion between 4 and 5% in April.
Jun-06	9:00 Nominal Wage y/y	Apr	--	--	6.3
Jun-07	8:00 CPI m/m	May	0.0	0.2	0.5 We project a May CPI of 0.0% m/m (3.1% y/y), below market expectations in forwards and surveys. By divisions, the main positive impact would come from transportation, followed by restaurants and hotels, and miscellaneous goods and services.
Jun-07	8:00 CPI y/y Chained	May	3.1	--	4
Jun-07	8:30 Exports Total USD mn	May	--	--	8456
Jun-07	8:30 Imports Total USD mn	May	--	--	6543
Jun-07	8:30 Trade Balance USD mn	May	--	--	1912
Jun-07	8:30 International Reserves USD mn	May	--	--	43861
Jun-07	8:30 Copper Exports USD mn	May	--	--	4186
Jun 03-07	IMCE Business Confidence	May	--	--	44
Jun-11	8:30 Central Bank Economist Survey		--		
Jun-13	8:30 Central Bank Traders Survey		--		
Jun 07-13	Vehicle Sales Total	May	--	--	25490

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jun-04	11:00 Davivienda Colombia PMI Mfg	May	--	--	49
Jun-04	11:00 Exports FOB USD mn	Apr	--	--	3831
Jun-11	19:00 CPI m/m	May	0.54	--	0.59 The disinflationary process will be interrupted as statistical base effects in food prices are now a headwind. For May, we expect still-high rent fees and food inflation. Tradable goods inflation will be less supportive of inflation reduction as the effect of low FX is vanishing.
Jun-11	19:00 CPI y/y	May	7.28	--	7.16
Jun-11	19:00 CPI Core m/m	May	0.48	--	0.46
Jun-11	19:00 CPI Core y/y	May	7.9	--	8.2
Jun-11	Consumer Confidence Index	May	--	--	-11.4
Jun-14	11:00 Industrial Production y/y	Apr	--	--	-6.7
Jun-14	11:00 Manufacturing Production y/y	Apr	10	--	-11 April's number will have the statistical effect of having more business days compared to one year ago. For each business day, manufacturing data will reflect an impulse of around 3% in annual variation. However, we expect this effect to be partially offset by the still-weak activity. In the case of retail sales, the vehicle sales rebound in April will contribute to a less negative result.
Jun-14	11:00 Retail Sales y/y	Apr	-1.8	--	-5.6
Jun-14	Central Bank's Economists Survey		--		

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for June 1–14

MEXICO

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Jun-03	11:00 S&P Global Mexico Manufacturing PMI	May	--	--	51.0
Jun-03	11:00 Remittances Total USD mn	Apr	--	--	5020.7
Jun-03	11:00 Central Bank Economist Survey		--		
Jun-03	14:00 IMEF Non-Manufacturing Index SA	May	--	--	49.7
Jun-03	14:00 IMEF Manufacturing Index SA	May	--	--	49.2
Jun-04	8:00 Gross Fixed Investment SA m/m	Mar	--	--	0.7
Jun-04	8:00 Gross Fixed Investment NSA y/y	Mar	--	--	12.5
Jun-04	8:00 Vehicle Domestic Sales	May	--	--	112048.0
Jun-04	8:00 Leading Indicators (m/m)	Apr	--	--	0.1
Jun-04	8:00 Private Consumption y/y	Mar	--	--	5.3
Jun-04	11:00 International Reserves Weekly USD mn	31-May	--	--	218739.0
Jun-05	8:00 Consumer Confidence	May	--	--	47.3
Jun-05	Banamex Survey of Economists		--		
Jun-06	8:00 Vehicle Exports	May	--	--	289756
Jun-06	8:00 Vehicle Production MXN	May	--	--	358575
Jun-07	8:00 CPI m/m	May	-0.1	--	0.2
Jun-07	8:00 CPI y/y	May	4.8	--	4.7
Jun-07	8:00 CPI Core m/m	May	0.3	--	0.2
Jun-07	8:00 CPI Core y/y	May	4.1	--	4.4
Jun-07	8:00 Bi-Weekly CPI (%)	31-May	--	--	-0.2
Jun-07	8:00 Bi-Weekly Core CPI (%)	31-May	--	--	0.2
Jun-07	8:00 Bi-Weekly CPI y/y	31-May	--	--	4.8
Jun-07	8:00 Bi-Weekly Core CPI y/y	31-May	--	--	4.3
Jun 05-10	Formal Job Creation Total (units 000's)	May	--	--	84.9
Jun-11	8:00 Manuf. Production NSA y/y	Apr	--	--	-5.4
Jun-11	8:00 Industrial Production NSA y/y	Apr	--	--	-3.4
Jun-11	8:00 Industrial Production SA m/m	Apr	--	--	0.6
Jun-11	11:00 International Reserves Weekly USD mn	07-Jun	--	--	218739.0
Jun-11	ANTAD Same-Store Sales y/y	May	--	--	0.6
Jun 07-11	Nominal Wages m/m	May	--	--	7.6

PERU

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Jun-01	11:00 Lima CPI y/y	May	2.2	2.2	2.4 The downtrend continues. Inflation approaches BCRP target.
Jun-01	11:00 Lima CPI m/m	May	0.05	0.13	-0.05
Jun-13	19:00 Reference Rate (%)	13-Jun	5.50	--	5.75 The BCRP could continue with the cycle of interest rate cuts.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage

Local Market Coverage

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